

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EA-11 EUR-25 NEA-14 RSC-01 IO-14

ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 FRB-02

H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-07 PA-04

AID-20 CIEP-02 SS-20 STR-08 TAR-02 TRSE-00 USIA-15

PRS-01 SP-03 OMB-01 SWF-02 FEA-02 DRC-01 /245 W

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P R 010937Z JUL 74

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 6774

INFO AMEMBASSY PRETORIA

AMCONSUL CAPE TOWN

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CAPE TOWN FOR EMBASSY

E.O. 11652: NA

TAGS: GATT, ETRD, SA

SUBJ: SOUTH AFRICAN CONCESSION ON AUTOMOBILES

REF: A) STATE 56676 B) GENEVA 2875 C) GEWECKE/

SPRUCE TELECON JUN 26

1. EC COMMISSION GENEVA (EWYDERT) CONTINUES INQUIRE ABOUT US UNDERSTANDING OF AUTOMOBILE CONCESSION SOUTH AFRICA OFFERING UNDER CURRENT GATT ARTICLE XXVIII NEGOTIATIONS. CONCERN OVER POSSIBLE DISCRIMINATORY TREATMENT IN FAVOR OF US (TELECON REF (C)) HAS BEEN PARTLY ALLAYED BY EC COMPREHENSION OF THE POINT THAT NOT MORE THAN 50 PERCENT OF TOTAL VALUE OF IMPORTS CAN BE EXCLUDED FROM THE CONCESSION AND THAT SOUTH AFRICAN INDUSTRY MUST BE ABLE SUPPLY 30 PERCENT OF DEMAND FOR A COMPONENT TO QUALIFY FOR EXCLUSION. THEY NOW UNDERSTAND THESE LIMITS

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APPLY TO CONCESSIONS BEING OFFERED BOTH TO EC AND US.

2. EC COMMISSION REPS NOW CONCENTRATING ON ADDITIONAL FACTOR OF PERCENTAGE BY WEIGHT RPT WEIGHT REQUIRED IN LOCAL SA MANUFACTURE. THEY UNDERSTAND REQUIRED IN LOCAL SA MANUFACTURE. THEY UNDERSTAND REQUIRED PERCENTAGE NOW 59 PERCENT, WILL BECOME 66 PERCENT IN 1976, AND AFTER 1978 COULD POSSIBLE GO HIGHER, EVEN TO 100 PERCENT. IN EC VIEW, THIS WOULD SEEM MAKE CONCESSION IN PARA 1 ABOVE VIRTUALLY MEANINGLESS. EC REPS HAVE THEREFORE ASKED A) WHETHER US UNDERSTANDING OF THIS ASPECT OF SA CONCESSION COINCIDES WITH THEIR OWN AND IF SO B) WHAT IS US RATIONALE FOR ACCEPTING AUTOMOTIVE CONCESSION AT ALL IN VIEW OF APPARENT NULLIFICATION IMPLIED BY REQUIREMENT FOR INCREASING PERCENTAGE OF LOCAL MANUFACTURE BY WEIGHT.

3. THREE DIFFERENT EC COMMISSION REPS HAVE ASKED MISSION OFFICER ABOUT VARIOUS ASPECTS OF AUTOMOTIVE CONCESSION, AND WE HAVE EMPHASIZED US DOES NOT SEEK DISCRIMINATORY TREATMENT. HOWEVER, THEIR PUZZLEMENT THAT US WOULD ACCEPT A CONCESSION WHICH APPARENTLY HAS NO GUARANTEE AGAINST NULLIFICATION BY THE LOCAL-CONTENT-BY-WEIGHT ROUTE SEEMS TO KEEP THEIR FEARS ALIGHT.

4. ACTION REQUESTED: WOULD APPRECIATE RECEIVING BY PRIORITY CALBE US UNDERSTANDING OF EC POINTS RAISED IN PARA 2 ABOVE. ABRAMS

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